

Final Minutes – CDG Arable Crop – COP – 6/7/16

Market situation with a focus on China & Corn Stocks

- Narrow move of EUR/USD
- Appreciation of USD with the recovery of the crude oil
- Chinese currency is much more stable vis-a-vis USD
- Improved wheat and barley prospects for 2016, however there are quality concerns
- World wheat production revised to 729 million tonnes with 720 million tonnes of demand estimated
- 40% of world ending stocks for wheat are the Chinese stocks
- In Ukraine 15% less wheat yield due to dryness and bad crop development
- Indian production is expected to reach 90 million tonnes
- Import demand is projected to remain strong, due to severe drought in Morocco
- For maize, total world production is expected exceed 1 billion tonnes for the second time. Due to larger area under cultivation. Demand is also expected to exceed 1 billion tonnes.
- Feed use increase by 3%, industrial use increase by 3% for maize
- Maize stocks remain unchanged from last year, despite being historical high, largely due to Chinese stocks again
- USA remain the largest producer of maize with 355 million tonnes, Brazilian crop reduced by 10% due to extreme weather conditions, Ukraine larger maize area covered from winter wheat
- For Barley, modest decline in production. 62 million tonnes production in EU, Russia 18 million tonnes.
- Chinese maize production:
 - Chinese maize production increased by 42% compared to 2007
 - Area increased by 10 million hectares
 - yields from 5.43 to 5.89
 - Chinese consumption increased by 40%
 - Chinese ending stocks increased by 130% compared to 2007 to 108 million tonnes
 - Stocks to use ration has also increased considerably in China to 50% in 2015
 - Chinese import TRQ for maize and wheat in-quota is 1%,
 - Wheat 9.6 mto - 90% state companies
 - Maize 7.2 mto - 60% state companies
 - Corn prices are declining however there is still an important gap in prices between China and other major countries
 - Changes to Chinese maize policy have been explained
 - China has become an important market for EU barley
 - China is now cutting the support price, down to 315 USD/t for maize which is still attractive for farmers
 - For wheat, support price remains unchanged
 - Government objectives to reduce state reserves, more market orientation, reduce maize area around 3.3 mha, increase soybean area by 40% to 9.3 mha. Soybean production to grow to 19mt by 2020 from 12mt at the moment
 - Quality of Chinese stocks are questionable and not known whether suitable for only industrial use
 - The future of wheat policies are unclear, which could if remains unchanged could see stocks rise up to 90mt
- Russia expecting bumper crop for wheat
- New USDA report show 7% larger maize area, 7% down wheat area, good yields
- Market news have been shared by the participants
- World cereals prices are declining. Now black sea offers the cheapest milling wheat. Export business is expected to be tough

Forecast harvest in EU and neighbouring countries

- The Commission presented the crop forecast for the EU as well as the balance sheet
- Good harvest and record for soft wheat. It has been noted that soft wheat results may be revised upwards in the next month

- High level of exports for barley and second highest level for wheat (1st on the world market)
- Second highest level of imports after the 2007/08 record
- Comparison between the Commission and COCERAL forecasts have been presented
- CELCAA has intervened to comment on the presentation. 1 million tonnes less soft wheat from the COCERAL forecasts due to recent developments in France. Quality tests show also poor results. Fusarium along with mycotoxin risk is limited. Entire northern hemisphere has been hit, however good production overall. Quality remains the main concern for the northern hemisphere, in the EU as well as in Russia. Important quality premiums can be envisaged. Important imports of East Africa, Indonesia. Barley situation is important and dependent on how China will position itself. Important differences between regions for Barley. Soybeans is the driver of changes in the world, the price relation is determining the price of maize. Durum wheat quality is not good in Italy, France and Spain. Barriers to trade is important. India has a shortage this year, however the duties are in place. Chinese policies can break the maize market. Egyptian problem has not been solved despite declarations.
- COPA-COGECA intervened on its forecast. Few concerns are raised, root systems have not developed, if sudden weather change, the wheat yield can go even lower. Maize is planted later, crops are not developing as well as expected. The quality is the big discussion for wheat, barley but as well as corn. It will be important to maintain trade flows. More pests have been spotted this year, disease pressure is higher due to weather conditions and hinderance to use of PPPs. New varieties are needed that could resist disease. We also need a good toolbox of PPPs available. Winter rapeseed area is decreasing and no other crop to replace it.
- Comment from Poland - drought has affected the crop and production will be lower than the Commission forecast. Neonicotinoids were helpful in preventing pests for rapeseed and the reduction in production was largely due to the unavailability of appropriate pesticides.
- FEDIOL - Considerable differences exist between COCERAL, COPA-COGECA and Commission for oilseeds. What is the reason for this.
- COPA-COGECA - this is largely due to ongoing harvest and the different situation and information about the pests.
- COPA-COGECA - in the UK, the drop in surface area for rapeseed is because of the unavailability of neonicotinoids. the application for use has been denied.
- Bird Life Europe - claimed that there are alternatives to neonicotinoids

CAP Simplification

a)

- Commission presented the delegating acts and implementing acts on the roll-out of the simplification of licences. These will be published end July and enter into force after 3 months
- Comparison between surveillance data and DG TAXUD data and licences data has been presented. All datas are converging.
- Surveillance data and Comext data are also converging
- The data are now published on the Commission website and available to public
- Chair questioned why there is a 15 days delay in releasing IT information?
- Commission replied saying that the delay is due to the authorisations communication at customs offices and in Member States. Commission claimed that 15 days is not a long time.

b)

- Commission presented the intended legal structure for the TRQ
- CELCAA voiced concerns about the intended changes to the TRQ
- It has been recommended to the Commission to hold sector-by-sector meetings before advancing any further with the reform

c)

- Commission presented the findings of the report which looks into the impact of greening one year after its application.
- 75% of crop land is subject to crop diversification, 13% subject to 2 crops, 62% subject to obligation of 3 crops
- Ecological focus area: 68% of total arable land subject to EFA. The regulation foresees 5% EFA and after weighing in the factors EFA is found at 9%
- Based on the statistics available, diversification did not affect the production potential at the EU - level. Crops most concerned are wheat, maize and barley

- Commission also presented the findings of the public consultation carried out in the first quarter of 2016. More than 3500 responses have been received. The results are accessible on the Commission website
- Agricultural Committee also discussed the papers on greening on 6 July 2016
- COPA - equivalence meant 100% catch crop cover instead of 25%. Only 21 farmers could try it in Ireland and some of them couldn't succeed. Repeatedly changes have been asked but the Commission does not appear to notify that.
- COPA - this exercise has shown that it is not easy to implement measures such as greening. We need simplification to the rules as this is getting out of the nature of the common agricultural policy
- EURAF - How can we merge LULUCF and the greening measures
- COPA - Protein crops cannot be grown in the UK without the use of pesticides and fertilisers on the EFA, this is contradictory to the importance of nitrogen fixing crops under the EFA

Agro-forestry

- The importance of ecoincentives and research has been emphasised as well as the difference between aboveground and belowground ecosystems, for organic carbon accumulation as well as for radiation capture and nutrient storage
- With agro-forestry, compared to forestry, initial investments for agro-forestry are compensated and the value of the land is increased as a result of this system.
- 0.4% of EU arable land is dedicated to silvoarable system
- Different agro-forestry strategies in different countries have been mentioned
- Limitations of EU Regulations to agroforestry eligibility has been explained by the speaker, in particular the effects of Measure 222
- Reminded that agro-forestry needs to be understood as a way forward with the LULUCF measures
- The threat of soil erosion and flooding has been explained and the importance of developing projects for using agro-forestry for increasing the biodiversity as well as the side-benefits
- Reminded that there needs to be a transition from one system to another
- Different techniques and integrated systems in agro-forestry have been presented and their contribution to soil carbon explained.
- The risks of agroforestry for the harvest of arable crops and human health in the post-harvest contamination is highlighted.
- CAP needs to be adjusted if agro-forestry is to be integrated
- ECVC - we should avoid terminology climate smart agriculture because it lost its value
- COPA - land is lost to infrastructure and forestry in the last years.
- FertilizersEurope - yield information was missing from the presentations
- COPA - big differences in regions needs to be taken into account. Bioenergy could be a driver of agroforestry.

Glyphosate

- 18 month extension is expected and Commission acknowledges the legal obligation it has
- The scientific recommendations of EFSA and IARC has been reminded and the potential carcinogenic nature of glyphosate
- Only the recommendation on tallowamine is a hard ban, the other two points are worded as recommendations to pay closer attention
- Assessments on the appropriate hazard classification are carried out by the ECHA, however no classification dossier was submitted to ECHA at the beginning of the procedure for renewal of approval as active substance in PPP, as it is not mandatory under the legislation. The classification procedure by ECHA started only in mid-2016.

MiFID

- Entry into force postponed in place, Commission's Expert Group is organising a conference on MiFID to help agricultural stakeholders understand the implications of MiFID
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AOB

- Mid-term review of the CAP and direct payments need to be discussed at this CDG. Costs per hectare for cultivation of major crops
- There is discrepancy in presentation formats of units and information pertinent to the topic GHGeq, t/ha, etc.
- The Chair invited participants to send their recommendations in writing to the Commission and the Chairs
- The next meeting is on 9 September 2016

Disclaimer

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